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Inc

THE MAGAZINE FOR GROWING COMPANIES

INTRODUCING
A NEW
'HANDS ON'

Reaching Influential Buyers 86

Borrowing Without a Bank 92

Avoiding Employee Lawsuits 93

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Tax Tips To Free Up Cash

RECESSION BENEFICIARY: AUTO CRITIC'S PAT LUDWICK

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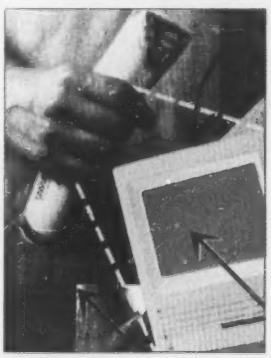

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How and where to buy them

COVER PHOTOGRAPH
by DAN BRYANT

Hands On

SALES & MARKETING

Star-salesman-turned-trainer Dan DeJoy

SALES TRAINING

An In-House Sales School

IN A HURRY TO GET NEWLY HIRED SALESPEOPLE into their territories and selling? The rush may be costing your company more than you know in lost sales and in sales-force turnover. At Paychex Inc., a $120-million supplier of payroll and other business services, every new salesperson goes through seven weeks of training before even meeting a prospect. The result: new hires become productive (that is, start earning more than their draw) twice as fast as before, and turnover has fallen dramatically.

Gene Polisseni, vice-president of marketing, calculates that Paychex spends $3,500 per trainee to operate a professionally staffed school at the company's Rochester, N.Y., headquar-

(Continued on next page)

LOCATION

Lower Your Rent

THE BEST OF TIMES? THE worst of times? That depends on which end of the lease you're negotiating. Before the recession Stuart Skorman, CEO of Empire Video Superstore, a small chain of video-rental stores based in Keene, N.H., had his eye on a large retail location that was renting for $85,000 a year. Today, he says, the rate has dropped to $45,000. Retailers and other storefront or mall businesses can take advantage of the recession to lock in lower rents, add more space, or grab a new location they couldn't have touched when landlords weren't so desperate.

Burt Hochberg, general manager of a Jackson Hewitt Inc. tax-service franchise in the Baltimore–Washington, D.C., area, offers the following advice:

- Assume any price a landlord quotes is negotiable.
- Deal directly with owners.
- Approach current lease holders about subleases.
- Can't rewrite the terms of your existing lease? Ask the landlord for a spruced-up amenities package.
- Look for deals that give you free rent for several months; maybe the landlord will reduce the front-end deposit. *—T. R.*

RESOURCE

Selling in Europe

If you want to go over Europe with a fine-tooth comb, consider a daylong seminar called "Information Gathering in the European Community," which Fuld & Co. holds in major cities across the country. For more than 10 years, this company has been in the business of unearthing valuable information from unlikely sources. Now it's turning its attention to helping companies negotiate the maze of EC 1992 information channels. To see if the $795 price tag is worth it, read Fuld & Co.'s free newsletters that give the lowdown on EC 1992 country by country. Call (617) 492-5900 or fax (617) 492-7108 for more information. ***—Teri Lammers***

IN THIS SECTION

AN IN-HOUSE SALES SCHOOL
The funny thing about Paychex's sales school? For the first three weeks, the word sales *isn't mentioned at all*

RESOURCE: SELLING IN EUROPE

LOWER YOUR RENT
Recession got you down? Use it to your advantage

REACHING INFLUENTIAL BUYERS
Identify key buyers and watch sales pour in

SETTING UP BRANCH OFFICES
Pat Kelly explains it all for you

Edited by Tom Richman

PHOTOGRAPH: PHIL MATT

(TRAINING, from page 85)
ters. That amount includes instructors' salaries as well as transportation, housing, and meals for the trainees. It may seem like a lot, says Polisseni, but it's a lot less than the roughly $18,600 it costs Paychex to recruit, interview, hire, and train a replacement for a salesperson who gets fired or quits.

The thinking behind the Paychex approach is that every salesperson first has to know and understand the company's products. In Paychex's case, those are payroll and other administrative services provided to a national market of client companies. Consequently, during the first three weeks of the Paychex school, the 16 or so students that start every month take courses on tax laws and accounting principles, and study the services that Paychex sells to its clients.

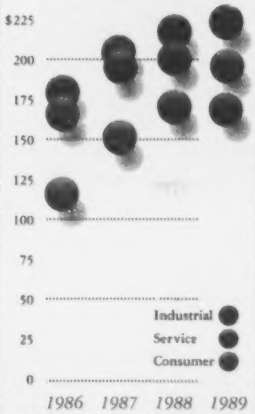
During the three weeks, the new hires live in company-owned condominiums, drive company-rented cars, and pay their expenses out of a company-granted stipend. After three weeks they take a comprehensive exam. If they don't pass, they go home to look for another job. Those who pass are sent to work for two weeks at a Paychex operations branch to learn firsthand what the company does. They also accompany branch salespeople on calls, but only to watch and listen.

In the last week, it's back to Rochester for more classroom work, now, finally, on selling skills. The courses include Sales Presentations, Visual Selling (reading the customer's body language), Closing, and Time and Territory Management. Only after graduation does the new salesperson get to solo on an actual sales call.

Paychex's school employs 11 full-time instructors—some former schoolteachers and some field personnel. Dan DeJoy, who runs the sales-training part of the curriculum, was Paychex's sales rookie of the year in 1988. He's committed to staying at the school for two years before going back to sales. "It's a good idea," he says, "to keep the teaching positions filled by people fresh from the field."

Even if you can't afford a full-blown sales school, Polisseni contends, whatever time you can spend teaching your salespeople about your company's specific products or services and procedures can help them get up to speed faster in the field. "Training is an investment that a progressive company can't afford not to make," he says. —*T. R.*

*The Cost of a Sales Call**



	1986	1987	1988	1989
Industrial	$179	$207	$218	$225
Service	162	193	201	166
Consumer	118	152	172	196

* *Median cost per call by industry; cost-per-call calculations based on travel and entertainment expenses and compensation.*

Source: Sales & Marketing Management's *"1990 Survey of Selling Costs," New York, 1990.*

PRODUCT LAUNCHES

Reaching Influential Buyers

AT FRANKLIN INTERNATIONAL Institute Inc., it's called the "breeder effect." Others call it "seeding" their markets. In both cases it's the same idea. First, you identify key people whose actions or opinions will influence the bulk of your potential buyers. Get the product into their hands, and if they like it, the rest of the market will follow.

But even *giving* a product away takes some planning, especially when potential recipients don't know they want it. A small ($6-million) division of Lotus Development Corp., based in Cambridge, Mass., has started seeding the market for one of its products, Agenda. Agenda is a PC-based software program intended to help executives and middle managers manage their time better. As with electronic mail, says Paul Paget, Agenda's marketing director, "once your boss starts using Agenda, you almost have to."

So Paget identifies, city by city, the chief executives of smaller companies and the unit heads of larger corporations, and invites them to seminars. He'll use, for instance, the subscriber list of a business or trade magazine or newspaper to help him locate his targets. When appropriate, he gets the periodical to cosponsor an Agenda seminar to which he invites those key people. There, he shows the entrepreneurs and executives how the program works and, when the class is over, hands them a bag with the Lotus logo on it and a free copy of the $395 software and manual inside. If the seminar has worked, the bosses will get hooked on Agenda, and once they get back to their offices they'll be the best sales force Lotus could have.

Another company, Salt Lake City–based Franklin International Institute, has built itself from scratch to more than $52 million in annual sales in just six

(Continued on page 88)

CHART: ROSS CULBERT LAVERLY & RUSSMAN INC., NEW YORK; ILLUSTRATION: WARREN GEBERT

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(LAUNCHES, from page 86)
years by using a similar marketing strategy. The product, coincidentally, is a paper-based time-management system. When Franklin is conducting a time-management seminar at one corporation's work site, it will invite—gratis—one or two executives from other corporations. If they're impressed, Franklin's experience shows, they'll bring Franklin's training and time-management products into their own companies.

Both Franklin and Lotus count the products they give away as just another marketing cost. In Franklin's case, since it's proven that a single freebie given to a corporate manager can lead to the sale of hundreds of seminar slots in that executive's company, the cost of seeding the market is almost trivial. At Lotus, Paget calculates he'll more than break even if he can sell just one copy of Agenda for each one he gives away.

Follow-up to the seminar is essential to the selling process. Paget plans to call seminar attendees, periodically mail them a newsletter, and maybe run a sweepstakes for people who refer new buyers to Lotus. "We'll make it fun," he says. *—T. R.*

MANAGING GROWTH

Setting Up Branch Offices

OPENING A BRANCH SALES OFFICE sounds simple, but many companies find that protecting the corporate culture. motivating employees, and keeping tabs on the cash are difficult to do from a distance. Patrick Kelly, CEO of Physicians Sales & Service Inc. (PSS)—a distributor of medical equipment and supplies based in Jacksonville, Fla.—has set up 26 branch offices since 1983, garnering an average of $2.7 million in sales per office. He always follows the same formula:

- **Promote from within for the sales manager slot.** Only top sales performers who have at least two years of selling under their belts and want to go into management are considered. Those he selects have clearly demonstrated their leadership abilities. Candidates with rural backgrounds are matched to rural territories and those with urban backgrounds to urban territories.
- **Grow your own salespeople for the four sales positions.** It's cheaper than hiring seasoned professionals, and internally trained salespeople usually haven't picked up bad habits at other companies. Kelly puts his recruits through a 24-week program in which they work as warehouse packers and truck drivers by day and are drilled on selling skills after work.
- **Add one local pro.** Kelly has found that a pro who already knows the territory can help cut the break-even time for a new branch in half.
- **Invest in sufficient support staff to free up the sales staff to sell.**
- **Locate the branch within same-day-delivery reach of another office.** That way, customers aren't left in the lurch if inventory runs out. The fewer the competitors the better, too. For PSS, a workable territory has at least 1 million people within a 200-mile radius of the office.
- **Stick to sales-call routes and schedules to foster customer loyalty and regulate orders and deliveries.** Week in and week out, PSS customers know to the minute when to expect their salesperson to place their orders.
- **Set target goals.** At minimum, each account is visited twice a month, and each large account weekly. Two days a week the sales managers work their own territories, calling on customers with their staff on the other days. Thirty sales calls per day is the target.
- **Stay in touch.** Supplement personal visits to branches with customer surveys to keep branches up to standard. Kelly visits each office twice a year, spending most of his time with salespeople. A quarterly customer-satisfaction survey is mailed directly to headquarters. Negative responses are sent to the territory's sales manager. *—T. L.*

BANKING & CAPITAL

VCs put cash into Albert Beedie's pocket

VENTURE CAPITAL

Secondary Stock Deals

TIME WAS, WHEN ALMOST NO VENTURE CAPITALIST worth an Hermès tie felt good about putting investors' money into an entrepreneur's pocket. That cash was for building businesses, not for buying houses in Aspen. But as venture capitalists become increasingly eager to buy into proven businesses they like, they are more willing to play by a looser set of rules—and they're putting big checks directly into founders' bank accounts.

Dismayed by the average returns of early-stage investments (less than 5% annually, by some estimates), venture people are scouting for safer bets. Some of the companies they're targeting were not originally venture-financed and don't really need money, and so are not prepared to give venture capitalists the privileges they're used to—preferred stock, voting control, and other special rights. But VCs are taking what they can get. "If we want to participate," says TA Associates partner Jeff Chambers, "we've got to be willing to buy secondary shares." During the summer of 1989, TA bought about $6 million worth of TSC, a three-year-old computer-systems-implementation company located in Chicago. Earlier that year TSC's president, Albert Beedie, had told other would-be investors that he wasn't seeking any more capital. So TA did its deal by purchasing stock directly from TSC shareholders. The venture people got 15% of the business and one board seat.

Such secondary stock deals are being designed to meet a range of founder needs. For ex- *(Continued on page 91)*

CONSERVING CASH

Bartering Instead of Buying

LOOKING FOR RELIEF from the credit crunch? To acquire the goods and services you need without decimating your dwindling cash? A growing number of companies are turning to barter.

In bartering, businesses swap what they have for things they need but don't want to pay cash for. By trading at the full price of the product (the cost plus your profit), you can boost your buying power while guarding your cash.

Traditionally, such transactions have been arranged directly between trading partners. But more and more deals are being booked through barter exchanges. For example, Chicago Barter Corp., based in Lombard, Ill., currently has in its network more than 1,200 members, who pay $500 to open an account and tap into anything being offered. In 1990, notes president Susan Groenwald, the company facilitated some $13 million worth of trading activity, a 44% increase in activity since 1989. The range of products and services obtainable is astounding. Last year Exchange Parts of America, a Chicago auto-parts company, traded its reconditioned brake parts for printing, remodeling, and catering services; this year it's negotiating to acquire trucking services through Groenwald's exchange.

Barter probably won't eliminate your need for cash entirely; many large transactions require at least some cash. But if you learn the ropes, you should be able to maneuver through leaner times with less cash on hand. *—B. G. P.*

You can find out about local barter exchanges by contacting the two trade associations serving the industry: International Reciprocal Trade Association, in Great Falls, Va., (703) 759-1473; and National Association of Trade Exchanges, in Euclid, Ohio, (800) 733-6283.

IN THIS SECTION

SECONDARY STOCK DEALS
Venture capitalists hungry for deals are placing big bucks directly in the pockets of founders

BARTERING INSTEAD OF BUYING
Fast relief from the credit crunch

FIXED-ASSET PURCHASE PLANS
Mike Madrid's novel solution to quick credit

RESOURCE: HOW YOUR BANK EVALUATES YOU

BORROWING WITHOUT A BANK
Need short-term cash? Look around you for sources

Edited by Bruce G. Posner

PHOTOGRAPH: LEWIS TOBEY

(VENTURE CAPITAL, from page 89)
ample, a group of investors, led by Summit Partners, recently purchased a small block of the shares of Rosco Laboratories Inc., a supplier of light filters to entertainment industries. Stan Miller, the 58-year-old president and 100% owner, wanted to diversify his holdings for estate purposes. "I still wanted to grow the company," he says. "But I hesitated to put my name on more bank loans."

Some hard-liners continue to believe that giving founders a pile of money while they are still active in the business weakens their commitment. But the folks who invest in secondary deals don't see it as a major problem so long as founders still have the lion's share of their net worth tied up in the company's future. L. John Doerr, general partner of Kleiner Perkins Caufield & Byers, which participated in a $10-million deal with the founders of Intuit Inc., a software maker, says: "We're helping the company. The idea is to make it easier for these guys, not harder." ***—B. G. P.***

DEBT

Fixed-Asset Purchase Plans

NOTHING HURTS AN entrepreneur more than having to turn away new business because there's not enough cash on hand to meet the demand.

Mike Madrid, CEO of The Mike Madrid Co., in West Lafayette, Ind., almost found himself in just such a position. Needing cash in a hurry to complete the takeover of a bankrupt competitor's accounts, Madrid—whose company services, rents, and sells road-construction signs and barricades—didn't have time for the red tape of a new loan. He was forced to borrow against an existing line of credit not technically intended for equipment purchases. Eventually, he had to renegotiate it all into an unmanageable hodgepodge of long-term vehicle and equipment loans.

Sufficiently frustrated, Madrid sat down with his banker and set up a "fixed-asset purchase plan"—a hybrid of a credit card and a long-term loan. The agreement gives him quick access to cash, and the payment structure is designed to accommodate his seasonal cash flow.

Madrid got a $100,000 line of credit earmarked for preapproved items such as trucks, trailers, and office and shop equipment. He makes a monthly minimum payment on the loan: $3,500. But he skips payments from December through March when business is practically nil. Forty minimum payments spread over five years will pay off the loan. Even though the loan provides the convenience of a credit card, the interest rate—one point above prime—is no different from what Madrid would pay on a long-term loan.

Here are Madrid's guidelines for negotiating similar terms:

- **Approach a bank you have a good track record with.** Because Madrid's bank had been approving his loan applications for six years before signing off on this one, it is confident of his ability to pay.
- **Ask for more manage-**

(Continued on next page)

RESOURCE

How Your Bank Evaluates You

IF YOU WANT TO STAY IN YOUR BANKER'S GOOD graces, it pays to do your homework. One book to add to the reading list: *Annual Statement Studies,* a compendium of financial ratios for companies in 368 industries, published by Robert Morris Associates (RMA).

RMA, a national association of bank loan and credit officers, has published the book of ratios for years. And for years bankers have studied it to gauge just how current and potential borrowers stack up against others in the same business.

"When you're aggressive and growing rapidly, you don't want to get blindsided by one of these ratios," says Larry Daniel, CEO of The Daniel Company of Springfield, a $3.5-million trucking company in Missouri. "If you're doing something different from the rest of the industry, you'd better be ready to explain it." Daniel says the RMA guide has helped him in his dealings with his accountant and banker.

The book provides up-to-date comparisons by industry, tapping 16 commonly used ratios, and balance-sheet and income-statement data. Five years of historical data are also included. The latest version breaks out the numbers by sales volume as well as assets and includes several new service-industry categories.

Even if your CPA doesn't have a copy on hand, the book is available in many libraries. Or you can buy it for $95 from RMA, 1 Liberty Pl., Suite 2300, 1650 Market St., Philadelphia, PA 19103; phone (215) 851-9100, fax (215) 851-9206. ***—Susan Greco***

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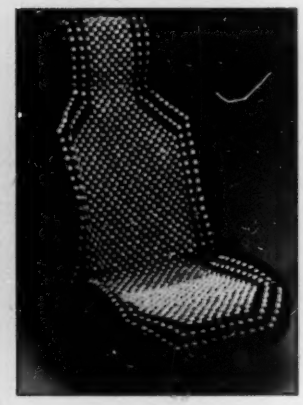
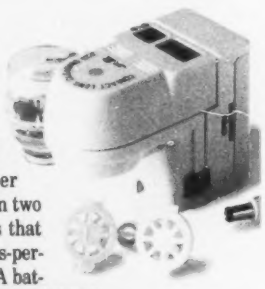


Cab Drivers' Secret. A New York City cab driver tipped us off about the Wooden Bead Seat's *"mystical"* massaging action. It enables you to sit for long periods of time without discomfort or fatigue. Like modern-day acupressure, it gently *massages* your back and legs, stimulating tired muscles and improving circulation. Allows air to circulate so you stay cool in summer and warm in winter. Recommended by chiropractors, it supports the lower back and helps improve posture. The smooth lacquered wood beads are hand strung with flexible, heavy-duty nylon cord. **$29.95** #2690—two for **$49.95** #2700.



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BANKING & CAPITAL

(DEBT, from page 91)

able terms, not more money. From the bank's perspective, the credit line doesn't give Madrid any more money than a number of smaller loans would. But from Madrid's perspective it dramatically improves cash flow.

- **Don't change your normal ground rules with the bank.** Madrid didn't try to get his bank to sign off on any type of equipment he wouldn't normally take out a loan for. He also offered only previously approved forms of collateral.
- **Set up good lines of communication with the bank.** Madrid phones his banker and tells him what he wants to buy and for how much, then mails a description of the purchase to the bank office. The bank receives financials from Madrid twice a year and makes appraisals of equipment once a year. To date there haven't been any disagreements. *—Teri Lammers*

RAISING CAPITAL

Borrowing Without a Bank

CHARLES BODENSTAB LIKES TO keep his revolving credit line at his bank as open as possible in case he needs it. So to meet his short-term cash requirements, Bodenstab, president of Battery & Tire Warehouse, in St. Paul, Minn., taps into a source closer to home: his children, friends, and employees. Lately, he has borrowed about $100,000 in this manner. The "commercial paper" is offered in $10,000 bites, and each month investors receive interest checks for 1% of their $10,000 investment.

Bodenstab says he's happy to pay his investors, who include three of his four children, an annual amount of $1,200. "That's about what my incremental borrowing cost is. And it keeps me from having to pay late fees to my vendors," he says. He gives investors letters acknowledging their investment. And if they need the money? "All they have to do is let me know. We pay them instantly." *—B. G. P.*

MANAGING PEOPLE

LEGAL BRIEFS

Avoiding Employee Lawsuits

A MASS LAYOFF MAY HELP CUT COSTS IN AN economic downturn, but these days it's more likely than ever to result in an employee lawsuit. Suits are on the rise because it's cheap to file a charge against an employer, and several states have loosened up laws making it easier to sue and recover damages on discrimination charges. "In a recession employers need to be real conscientious," notes Robin Harvey, a partner at the Cincinnati office of Benesch, Friedlander, Coplan & Aronoff.

A misstep can be costly. More and more so-called wrongful termination cases are being tried by juries, which tend to favor employees. Out of 120 such suits surveyed by The Rand Corp. in 1988, 66% were won by employees. The average award: $650,000 per suit. Employee lawsuits are expensive for California employers as well. Peter N. Hillman, a partner at Chadbourne & Parke, in New York City, cites a recent California study that found that plaintiffs were victorious 75% to 80% of the time, winning an average of more than $300,000. "It's become analogous in people's minds to playing the lottery," says Hillman.

Business owners can do much to avert such lawsuits by adopting fair employee policies and by documenting their own compliance. In such a litigious environment, even small companies should set up systems that prove fair treatment. Here are some tips and strategies:

• **Set up an information hub.** Someone should be designated to take charge of personnel issues and keep up with changes in state and *(Continued on page 95)*

MOTIVATION

A Rotating Layoff to Save Jobs

LOOKING FOR A DECENT way to lay off workers? Consider the "rotating layoff," which converts such firings from an all-or-nothing proposition into a pain-sharing experience. Instead of handing out pink slips to a few employees while the rest stay on full-time, all workers participate in a rotating layoff.

Here's how John Leehman, co-owner of Bread Loaf Construction Co., in Middlebury, Vt., designed his accommodative plan: instead of eliminating 10 people from a team of 30, Leehman asks the entire team to work 33% fewer hours by reporting for duty only two weeks out of every three. Leehman "rotates" the layoff week among workers so that Bread Loaf always has 20 team members on hand. "No one loses a job or benefits, and we have a temporary cut in overhead," explains Leehman.

This novel approach has allowed Bread Loaf to attract and keep desirable employees in the notoriously cyclical construction industry, but it could be a solution to unpredictable work flow in other industries, too. Leehman finds that the slight drop in efficiency that results from job switching "is offset by an increase in energy." —*E. E. S.*

Managing with Foresight

On May 5, 1931, Alcoa founder Andrew Mellon declared there should be no pay cuts in U.S. industry. Five months later he reduced the wages of his employees by 10%.

IN THIS SECTION

AVOIDING EMPLOYEE LAWSUITS
The growth in employee lawsuits has put many CEOs against the wall. Here's how to protect yourself

A ROTATING LAYOFF TO SAVE JOBS
How to save employee jobs and build loyalty

RESOURCE: A DATABASE OF JOB HUNTERS

BUILDING AN AT-HOME STAFF
How to build trust among an at-home work force

Edited by Ellyn E. Spragins

ILLUSTRATION: STEVE JOHNSON; PHOTOGRAPH: CULVER PICTURES, INC.

(LEGAL BRIEFS, from page 93)
federal laws that could affect the company—even if those duties are not his or her primary job responsibility. Hillman suggests subscribing to the Bureau of National Affairs weekly *Bulletin to Management* and biweekly newsletter "Fair Employment Practices" (together, $200 a year; write 9435 Key West Ave., Rockville, MD 20850, or call 800-372-1033).

• **Establish guidelines.** All of your company's practices, for hiring and promoting as well as firing, should be codified. You don't need a fancy employee handbook, but it's best to write everything down and make sure everyone gets the message. (See "The Best Little Handbook in Texas," February 1989.) Explain the criteria used to evaluate employees, how frequently employees will be reviewed, and how your company will "discipline" poor job performance. Most important: be frank in performance evaluations.

Also, watch your language when writing an employee handbook or making a job offer by letter. The courts in some states have held that certain statements are contractual in nature. Many companies now add boldface disclaimers.

• **Document business conditions.** If you see a downturn—and potential layoffs—ahead, you'll have your hands full just keeping your business going. But it will pay to pull together a file that shows relevant events:

The decline. Include objective material such as your financial statements, bank statements, and letters from major customers who are reducing or stopping their orders. In your own brief summary, describe conditions affecting your company and which parts of your company have more employees than are really needed.

The intermediate plan. Before making layoffs, write a plan of action that addresses the slowdown. This might include reducing hours, freezing salaries, and eliminating new hires.

Layoff blueprint. Decide how you'll implement layoffs and which jobs will be eliminated in which order. You're safest using the most objective criteria: job skills, performance, attendance records, and length of service. Older workers typically cost companies more, so in a cost-driven layoff companies are more vulnerable to age-discrimination suits. Make sure managers will apply your criteria consistently.

The outcome record. Record steps taken in a brief diary entry. Collect records that show your goals were reached.

• **Ease the pain.** It sounds trite, but try to help laid-off employees. You might offer outplacement counseling, give severance pay, or let former employees use your offices to conduct job searches.

All in all, lawsuit protection amounts to being fair—which is what you want to do anyway. But you must be able to demonstrate your equitability. "That's the acid test that courts apply," says Albert Zakarian, a partner at Day, Berry & Howard, in Hartford. "If your job elimination smacks of shabby treatment, then it's headed for trouble, because it's easier for jurors to latch on to discrimination." —*E. E. S.*

RESOURCE

A Database of Job Hunters

Searching for talent is typically a scattershot affair. You advertise for help, mention to a few friends that you're hiring, and finally sign up the boyfriend of an employee's sister.

KiNexus, a new database of job seekers, allows you to examine a far broader range of potential candidates. It currently contains résumés of some 50,000 juniors, seniors, and young alumni from almost 900 colleges, and will eventually collect information on job hunters with far more experience.

KiNexus will tailor its information to your needs for less than the $3,500 fee it charges corporations that want the entire database. The data is sent on a floppy disk or CD ROM drive and is updated monthly. You can also hire KiNexus to do the looking: $25 for the search and $100 for producing one or more candidates as a result. For information call (800) 828-0422. —*E. E. S.*

Who's Getting "Results-Sharing" Awards?

Increasingly, the rank and file are allowed to share in a company's annual performance.

	1989	1990
Individual	22%	28%
Special Recognition	14%	27%
All employees	14%	18%
Group	7%	12%

Source: Salary Increase surveys, Hewitt Associates, Lincolnshire, Ill., 1989 & 1990.

CHART: ROSS CULBERT LAVERLY & RUSMAN INC., NEW YORK

WORK FORCE

Building an At-Home Staff

THE ADVANTAGE OF hiring people who work out of their homes is obvious: it's much cheaper. Your company needs less office space and less equipment. And workers who maintain independent-contractor status save you the whopping cost of health benefits. But how do you know home workers aren't watching Oprah Winfrey when they're supposed to be producing? And how do you get remote employees to care about your company and its mission?

Jane Sandlar, president of Support Our Systems (SOS), says the benefits of working at home are so appreciated by her 60 home workers that she can be extremely demanding about the quality of their work.

SOS, based in Red Bank, N.J., produces user guides for computer systems at large companies, so it relies on writers—a notoriously independent bunch. To run her business largely on the steam of home workers, she has devised a system that is rigid in some respects and flexible in others. Here are the key points:

• **Skill testing.** Because em-

(Continued on next page)

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VIDEOS Inc. AUDIOS

MANAGING PEOPLE

(WORK FORCE, from page 95)
ployees won't be working at the office, you need to be sure they really can execute the work. Sandlar tests a prospective home worker's writing ability and study habits.

- **Project orientation.** Every document that SOS publishes is produced by a team of writers headed by a project manager. That gives the writers a small group to identify with, as well as a natural reason to communicate frequently.
- **Multiple checkpoints.** Though SOS's consultants can maintain whatever working hours they like, they are required to define them, to check in with SOS several times a day, and to have multiple means of electronic communication.
- **Highly detailed assignments.** SOS gives clients a clear picture of what their finished document will look like and how much it will cost. That "design statement" also spells out consultants' assignments in detail. Frequent deadlines ensure that home workers are drawn into the production loop and can't ignore their responsibility to the company.
- **Personalization.** Sandlar meets with each consultant at least four times a year. She also encloses a note with the paychecks, and schedules three companywide meetings a year.
- **Frequent feedback.** While consultants work on chapters of a document, their performance is continually being judged by a project manager. Consultants are reviewed afterward. Sandlar gives every home worker a critique of every job.

There *are* disadvantages to a homebound work force. Sandlar hasn't quite figured out how to overcome funky computers and outrageously high phone and Federal Express bills. But perhaps what's most frustrating about managing off-site workers is that when everybody else works at home, it's even more important that you don't—so you can be available to all the far-flung players. "I started this business so I wouldn't have to work in an office," says Sandlar. "Now I'm at the office more than anyone else." ***—E. E. S.***

FINANCIAL STRATEGIES

Get all the information you need, says CPA Mike Knight

ADVISERS

The Accountant Safety Test

BUSINESS OWNERS SHOULD BE ABLE TO RELY ON long-lasting relationships with their accountants to provide them with networking contacts, consulting advice, and increased access to capital markets. Unfortunately, those relationships may now be harder to forge, since the accounting industry in the United States is in turmoil.

Rumors persist about the financial instability of once-invincible "Big Six" firms. When accountants get a reputation for inept audits or less-than-pristine standards, state and federal tax authorities may focus their attention on all of the firm's clients.

For more suggested questions, read the free brochure "How to Choose and Use a CPA." Contact the AICPA Communications Division, 1211 Ave. of the Americas, New York, NY 10036-8775; (212) 575-6200.

For some suggestions on how growing companies can protect their own interests on the accounting front, *Inc.* turned to Michael J. Knight, a Fairfield, Conn., CPA who serves on the board of directors of the Smaller Business Association of New England. As a member of the American Institute of Certified Public Accountants (AICPA) Small Business Taxation Committee, he has appeared before the Senate and the Internal Revenue Service to testify on small-business issues.

INC.: *How can you tell if your accounting firm is financially sound?*

(Continued on next page)

TAX STRATEGIES

Charitable Donations with a Big Payoff

EXCESSIVE BUILDUP OF inventory, which ties up cash, can be a real risk in an economic downturn. Here's a solution: donate your excess inventory to qualified charities, under Section 170(e)(3) of the Internal Revenue Code.

That's what Marshall Rauch, CEO of Rauch Industries Inc., a $38-million manufacturer of Christmas decorations in Gastonia, N.C., has been doing for years. "At the end of each season, when we've got leftover merchandise that hasn't sold and isn't in demand from closeout buyers, we donate it to charities that can use it," explains Rauch. As a result, Rauch has been able to claim thousands of dollars in tax deductions and cut his company's warehousing costs.

The IRS offers philanthropically minded companies a sweet financial incentive: tax deductions adding up to more than the original production cost of the items donated. "You get to deduct the cost of the product donated, plus half the difference between your original cost and the product's fair-market selling price," says Rauch. Deduction limits are pegged at a maximum of twice the product's cost.

To qualify for the deduction, your company's gift must go to a charitable, religious, or educational organization that has been granted 501(c)(3) tax-exempt status by the IRS. A middleman organization, such as the National Association for the Exchange of Industrial Resources (NAEIR), can help you locate interested recipients.

"I submit samples and marketing catalogs, and NAEIR determines whether its charities can use our items," says Rauch. "If they can, the association sends us shipping documents and redistributes our goods to interested charities."

For further information call (309) 343-0704 or write NAEIR, Dept. YB-12, 560 McClure St., Galesburg, IL 61401. *—J. A. F.*

IN THIS SECTION

THE ACCOUNTANT SAFETY TEST
How to make sure your accountant is a safe bet

CHARITABLE DONATIONS WITH A BIG PAYOFF
How to give it away without losing money

RESOURCE: A GUIDE TO FINANCIAL INSTRUMENTS

THE ABCS OF PHANTOM STOCK
A key way to keep good people without giving up the store

Edited by Jill Andresky Fraser

PHOTOGRAPH: MELANIE EVE BROCAS

(ADVISERS, from page 99)

KNIGHT: You can ask if there are any outstanding legal claims against it, especially on the malpractice front. The firm may not be willing to tell you, but your state society of CPAs can direct you to the appropriate state agency, which can tell you whether any formal complaints have been lodged against the firm, by either clients or creditors.

Meanwhile, you may also be able to negotiate certain kinds of information from the accounting firm if it wants to win or hold on to your business. At the very least the firm should be able to tell you if it has errors-and-omissions insurance. It should also be willing to give you the names of some of its clients in your industry and encourage you to talk to other business owners about the quality of their service.

INC.: *Quality is such an intangible. How can you be certain your accounting firm's standards are as high as they should be?*

KNIGHT: Ask how the firm's most recent peer review went. CPA firms are reviewed every three years by an outside accounting firm that is either randomly assigned by the state society of CPAs or selected by the firm itself. The outside reviewer checks out the accounting firm's audit controls and procedures—and it's not just a formality. Accounting firms really do fail if their standards aren't high enough. You should ask when the last review took place, who performed it, and whether your firm passed or failed. If the firm won't answer those questions, look elsewhere.

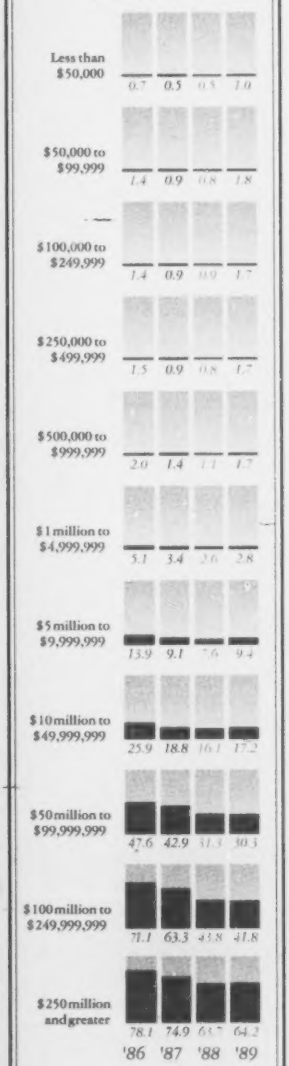
INC.: *Can you give us a wish list of other issues to ask about? Given the current environment, it seems as though business owners have a right to be as cautious as possible.*

KNIGHT: Ask outright if the firm has ever been sued and what the outcome of the case was. If the firm won't answer, that may be cause for concern. Also find out whether the firm handles audits—some won't—and what its track record is. Ask how fully computerized its operations are. Then be sure to visit to see for yourself that what you've been told is true.

—J. A. F.

The Taxman Cometh

*Percentage of Corporations Audited, by Size of Assets**



Large companies still run the greatest risk of being audited. But their audit risk has declined in recent years, while the risk for smaller firms has risen dramatically.

* *Assets as shown on balance sheets. Source: Internal Revenue Service.*

RESOURCE

A Guide to Financial Instruments

The 1980s are over, but the mind-boggling array of financial instruments concocted and popularized during the decade lives on. While most businesspeople have never even heard of such state-of-the-art products as bunny bonds or repos, these instruments do offer some attractive advantages for corporate investors as well as issuers.

Coopers & Lybrand has put together the amazingly comprehensible *Guide to Financial Instruments*, which analyzes in 145 pages the purpose, risk considerations, tax advantages, and other features of nearly 50 financial vehicles. Although some are too obscure to be useful to small and growing companies, others—such as interest-rate swaps, bridge loans, and bankers' acceptances—offer real potential to smaller companies. The free guide can be ordered by contacting Coopers & Lybrand, Publications Department, 7th floor, 1251 Ave. of the Americas, New York, NY 10020; (212) 536-2000. *—J. A. F.*

INCENTIVES

The ABCs of Phantom Stock

WILLIAM REIDY, THE chairman and CEO of $8.2-million Fine Organics Corp., a chemical manufacturer in Lodi, N.J., had a problem: "We were buying two small companies and wanted to figure out how to retain key personnel. But giving them stock shares in Fine Organics—even without voting rights—wasn't an option for us." That's because Fine Organics had been incorporated as an S corporation and, according to IRS regulations, could not create two tiers of stock. But the company's six origi-

(Continued on page 102)

CHART: ROSS CULBERT LAVERLY & RUSMAN INC., NEW YORK; PHOTOGRAPH: CHRIS HARTLOVE

(INCENTIVES, from page 100)
nal shareholders didn't want to dilute their ownership control by broadening the base of regular shareholders.

"We were trolling about for some kind of compromise solution and heard about phantom stock," recalls Reidy. The basic scheme was simple: "Instead of real stock, we'd give these key individuals a document that, at the time it is issued, has a value of zero. As the book value of the combined equity—that is, Fine Organics and the acquired company—increases, the amount of that increased value is added to the original zero value of the phantom-stock document." At an agreed-upon point, the individual cashes in the phantom stock for the difference between its current and original value.

Reidy has used this easily administered benefit twice, and both times it has been successful. Here are his basic guidelines:

• **Keep the financial terms simple.** "These plans can turn into accounting nightmares if you have to keep calculating the present value of this and the inflation index for that," Reidy says. "We just pegged everything to the book value of our stock, which is easy to calculate and easy for everyone involved to understand." One of Reidy's staffers who received phantom stock in 1986 has watched its value rise $1,350, as the company's book value has risen from $150 per share to $1,500 per share.

• **Present the plan as a win-win benefit.** Instead of using the massive plan documents offered by most accounting firms, have your own staff prepare a brochure that spells out key advantages, from both the employee's and the company's vantage points. One plus, for example: unlike regular stock shares, there's no tax bill due when the employee receives phantom shares. That's because the IRS considers phantom stock a form of deferred compensation, taxable only when those shares are cashed in.

• **Offer plenty of cash-in options.** One of the best things about phantom stock is that it gives employers the flexibility to design a stock benefit that fits individual employees' needs. "They can receive profits outright in the form of a cash bonus they'll immediately owe taxes on, or receive the cash over a deferred-payment schedule that makes sense for them," Reidy explains.

• **Tailor vesting schedules to individual circumstances.** Phantom-stock plans help companies retain key individuals through the use of vesting schedules, which give employees financial ownership of their shares gradually over a specified time period. Rather than settling upon one specified vesting schedule, as most large plans do, Reidy negotiates each person's vesting individually. "That way you can take into account factors like a person's age and how much value you expect him or her to bring to the company over the short and long term." At Fine Organics, vesting periods of 5 and 10 years have been used. *—J. A. F.*

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IN THE OFFICE

SAVING CASH

The Used-Computer Market

THE NATION'S FIRST USED-PC BROKER WAS ESTABlished in 1982, hard on the heels of the introduction of the nation's first PC. And now that nine-year-old Boston Computer Exchange has proved that not only the concept is durable, but so is the merchandise itself (most of it retired from corporate MIS departments), similar matchmakers have been popping up across the land. The deals they arrange can be attractive from both sides.

A computer exchange functions roughly the way the stock market does, with outside bids and offers on specified models listed with the exchange's brokers, who attempt to bring together the buyer and the seller somewhere in between. (In some cases, the seller is the exchange itself, dealing from inventory acquired through bankruptcy liquidations and such.) Once the parties agree to a fair price, the buyer gives the money to the exchange, which deposits it in an escrow account. The seller then ships the goods. After the buyer has had a chance to verify the condition as represented—a period usually limited to a couple of business days—the exchange pays the seller and pockets a commission.

An anxious seller might be able to coax immediate cash from an exchange, but that seller should not expect much more than half of the price that might have been fetched through patiently waiting out a brokerage listing.

—R. A. M.

If you are in the market to buy or sell a used computer system, check out the list of major regional computer exchanges on the next page.

OFFICE EQUIPMENT

How to Test a Used Computer

PRE-OWNED COMPUTERS can be tested in a matter of hours, following procedures Alexander Randall V, cofounder of Boston Computer Exchange, recommends in *Alex Randall's Used Computer Handbook* (Microsoft Press, 1990, $14.95). Some examples:

• **Open the box.** A layer of dust would be discouraging.

• **Power-up from a floppy disk in the A drive.** If the system fails, its floppy-disk controller card, floppy-disk drive, or motherboard may be defective.

• **Try booting up from the hard disk.** A failure suggests the hard disk has been improperly formatted or is missing essential start-up files, the hard-disk controller card is defective, the hard disk is defective, or the motherboard is defective.

• **Check the memory.** Make sure the amount of RAM displayed on the monitor after the initial memory check jibes with what it's supposed to have.

• **Format a floppy disk.** If the format fails, try a fresh disk. Successive failures suggest the drive is defective.

• **Try copying files from one drive to another.** Repeated failures indicate a defective drive. If you're successful, run a disk comparison to make sure the files were copied accurately.

• **Examine the monitor.** Turn up the brightness and contrast controls to check for phosphor "burns." Determine if characters are out of proportion. Make sure the image doesn't waver.

• **Check the keyboard.** Do the characters on the screen match each character on the keyboard? Test the cable by gently tugging on it.

• **Don't ignore the fan.** If, when you turn the computer on or off, the fan sounds like a helicopter, it's probably ailing, says Randall. It can be replaced, but it may have damaged the heat-sensitive electronics inside.

—R. A. M.

IN THIS SECTION

THE USED-COMPUTER MARKET
How to find, test, and buy a good used computer

RETHINKING RECYCLING
Does it go without saying that you should recycle?

WHAT TO DO ABOUT CARPAL TUNNEL SYNDROME
Just how serious is carpal tunnel syndrome, and can you do anything about it?

RESOURCES: FOREST RESOURCES

Edited by Robert A. Mamis

ILLUSTRATION: STEPHEN ELSTON

COMPUTER EXCHANGES

EARLIER THIS YEAR, INC. solicited offers for the hypothetical bulk sale of 10 typical systems—all three-year-old IBM 286 ATs with 30-megabyte hard drives and monochrome monitors. Here are the cash offers of four exchanges, and their suggested asking prices if we brokered the systems through their listings:

BOSTON COMPUTER EXCHANGE
BOSTON; (800) 262-6399
Listing fee: $25
Broker commission: 15%
90-day warranty cost: additional 10%
Service contract: 15% of current value
Cash to *Inc.* for 10-PC lot: $4,500 to $5,000
Suggested asking price if brokered: $9,250

SOUTHERN COMPUTER EXCHANGE
ATLANTA; (800) 786-0717
Listing fee: $25
Broker commission: 10%
No 90-day warranty
Service contract: $225 average
Cash to *Inc.* for 10-PC lot: $3,250
Suggested asking price if brokered: $5,000 to $7,000

COMPUTER EXCHANGE NORTHWEST
KIRKLAND, WASH.
(206) 820-1181
Listing fee: free
Broker commission: 15%
No 90-day warranty
Service contract: $50 to $150
Cash to *Inc.* for 10-PC lot: $4,000 to $4,500
Suggested asking price if brokered: $6,800 to $7,200

WESTERN COMPUTER EXCHANGE
ALBUQUERQUE
(505) 265-1330
Listing fee: $25
Broker commission: 15%
No 90-day warranty
Service contract: $150 to $400
Cash to *Inc.* for 10-PC lot: $3,000
Suggested asking price if brokered: $5,000

—Researched by Susan Greco

ENVIRONMENT

Rethinking Recycling

DOESN'T IT GO WITHOUT saying that businesses should recycle paper? No, answers Ken Braun, cofounder and chairman of Pepper's, a retail chain of natural-ingredient personal-care products, and an avid conservationist who has much to say—and do—about recycling. Braun's concerns once dictated buying *only* recycled paper for his company's office supplies. He's changed his mind. Not because recycled paper is more expensive than virgin (though it is) or less well finished (that, too), but because in talking to suppliers he determined that the chemicals employed in recovering old paper did more harm to the environment than chopping down new trees did.

Braun further unearthed that for some time now the paper industry, along with the government, has been planting more trees than it harvests. Far from being a withering resource, pulpwood crops are themselves recyclable, thanks to the

(Continued on page 108)

HEALTH

What to Do About Carpal Tunnel Syndrome

JUDGING FROM MEDIA REACTION to last fall's Bureau of Labor Statistics report on industrial illness, you'd think everyone who sits down at a computer suffers from weakness, tingling, numbness in the fingers, and/or pain in the wrist and forearm. Those are the symptoms of carpal tunnel syndrome, which has long taken its toll on arm-swingers like jackhammer operators and now, statistical evidence suggests, is running wild in the office as well.

But medical evidence suggests it's not. What triggered the press's alarm was the bureau's finding that conditions caused by repeated motion, pressure, or vibration have "over the past several years . . . significantly increased." During that time, not so incidentally, the number of desktop computers has multiplied like crazy. Even so, the trend could be as much a quirk of modern-day industry as of bad ergonomics, says Boston hand surgeon Andrew Terrono. "The number of specialized jobs is increasing *everywhere*," he concludes, "so more people do the same thing all day." His prescription: stop every so often and walk around.

That's a regimen also prescribed within the city limits of San Francisco. Authorities there passed a law mandating humane treatment of workers who use video display terminals. The controversial statute applies to businesses with 15 or more employees. It requires that any employee who toils before a screen for more than four hours a day be provided with an adjustable swivel chair, a table with lots of leg space, a glare filter, and discrete lighting. Employees must also get a 15-minute break every two hours. Employers unwilling to comply are subject to fines of up to $500 a day, or the cost of a mover's bill to relocate.

Those companies can run, but they can't hide—especially if they take aging computer apparatuses with them. Not even a decade ago, microcomputer pioneers were dubbing their newly aching extremities "MacHands" and blaming the affliction on computer mice. After nearly nine years of selling and producing essentially one-size-fits-all units, Logitech Inc., of Fremont, Calif., is revamping its line of mice in hopes of easing the pain. There will be mice not only for hands of various sizes but for different fingers, too: some models are designed so the thumb does the clicking, thus putting less strain on the wrist.

Luckily, carpal tunnel syndrome in white-collar circles is "a curable disease—about 85 times out of 100," ventures Robert J. Banco, an orthopedic surgeon in the high-tech outskirts of greater Boston. Most sufferers recover in six to eight weeks without surgery, he says, and, aided by splints and medication, can remain at work throughout. ***—R. A. M.***

AN ERGONOMICALLY SOUND OFFICE

- Contoured seat that supports legs at a 90-degree angle
- VDT two feet away at 20 degrees below eye level
- Keyboard position two to four inches below standard desktop, [illegible] and hands are parallel to the floor while typing
- Preferred light source: daylight

Source: Office-furniture maker Haworth Inc., Holland, Mich.

PHOTOGRAPH: LES MOORE/UNIPHOTO

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(ENVIRONMENT, from page 106)
newly developed, now ready-to-be-harvested "supertree," a genetically improved pine that reaches maturity in 18 years rather than 25 years and yields 30% to 40% more fiber than run-of-the-mill varieties do. Indeed, a spokesperson for the American Paper Institute (API), a trade organization in New York City that represents most of the country's mills, admits that when paper companies "do recycling, it's not to save trees—which is the common belief. It's to extend resources. A paper company needs raw materials to stay in business." In other words, a portion of the public collecting effort goes toward boosting corporate assets.

As for paper recycling stressing the environment, the API spokesperson suggests that Braun stop worrying. Because whether mills are using wastepaper fiber or wood fiber to manufacture paper, they must meet strict Environmental Protection Agency and local standards. Besides, in transforming old newsprint into new boxes, recycling saves precious landfill space.

Nonetheless, Braun insists on ordering office stationery and packaging materials made straight from the tree. Yet he persists in packaging Pepper's paper for pickup—and also breaks down the corrugated cases in which vendors ship goods, and uses them many times over for his own shipping. Similarly, he rounds up for recycling empty plastic containers from Pepper's outlets. Not every business can be expected to practice this kind of self-recycling, however. "For someone bigger, it could become an operational nightmare," Braun grants. "For us, it's very satisfying." *—R. A. M.*

RESOURCES

Forest Resources

FOR MORE INFORMATION ON PAPER COMpanies and the environment, consider—

- "Papermaking and Our Small Planet," a 6-page pamphlet that discusses global warming, the pulping process, and recycling. S.D. Warren Co., Idea Exchange, 225 Franklin St., Boston, MA 02110; (617) 423-7300.
- "Scott and the Environment," a 36-page brochure that explains Scott Paper Co.'s use of raw materials; manufacturing; and product packaging, use, and disposal. Scott Paper Co., Scott Plaza, Philadelphia, PA 19113; (215) 522-5000.
- Office Recycling Kit. Seven-part packet includes statements, newsletter, and articles such as "Get Real!" a 10-page primer on recycling and a guide to "environmentally sound" paper. Conservatree Paper Company, 10 Lombard St., Suite 250, San Francisco, CA 94111; (800) 522-9200; fax (415) 391-7890. Price: $12 per kit.
- "With the Environment in Mind: Weyerhaeuser Pulp & Paper Products," an 18-page brochure that gives a rundown of recycling "myths." Also, "Solid Waste/Recycling and the Pulp and Paper Industry," a 6-page newsletter on uses of and limits to recycling. Weyerhaeuser Paper Co., CH 3E32, Attention: Environmental Information, Tacoma, WA 98477; (206) 924-2153.
- "Solid Waste Solutions: Westvaco's Initiatives for the Future," a three-page brief on the company's use of innovative packaging, recycling, incineration, and landfills. Westvaco Corp., 299 Park Ave., New York, NY 10171; (212) 688-5000; fax (212) 319-6510. *—S. G.*

THE INC. NETWORK

RIDING OUT THE STORM

"I keep looking in the mirror to find the M on my forehead for moron," Sal Orlando wrote, in February. His mistake: using an infomercial just before the genre was targeted by a news-show exposé. Now customers are staying away, and other advertising media are telling Orlando to stay away.

Orlando overestimates the power of the press. The TV shows that muckraked infomercials reached at most 20% of U.S. households, and most probably didn't pay close attention. As for media refusing his ads, with the economy lagging, they'll soon lose their pride in the search for ad dollars.

Jay L. Tenebaum
JLT Marketing/Advertising
Atlanta

Orlando should forget about it and move on. Why not repackage the infomercial as a videotape for trade shows, or have a PR consultant use it to pitch his story?

Lisa Chipolone Romeo
Cedar Grove, N.J.

SOURCE SEARCH

Cindy Herrick's company buys overruns and closeouts of glassware, and sells to general merchandisers in the Pacific Rim (Glass Act, February). As her company grows, she must expand her sources. She asked Network readers where to look.

Herrick should refer to the *Thomas Register of American Manufacturers.* But one of the best sources of information is the local newspaper. She should read the employment section, looking for columns headed "Marketing" or "Manufacturing Sales." Of the companies there, 90% have no experience with international sales. She could introduce them to the possibilities.

Jaime Fahey
President
J.T.A. America Inc.
Matawan, N.J.

Export magazine (708-296-0770) publishes a buyers' guide for exporting consumer goods. Herrick should also look through *Money Making Opportunities* (818-980-9166), *Opportunity* (212-925-3180), and *Spare Time* (414-543-8110). These magazines publish lists of companies trying to close out products.

George Y. Yang
Newark, Del.

FOCUS, FOCUS, FOCUS

John Starrs bought a stagnating dental-pharmaceuticals company. His challenges: reestablishing its distribution network and licensing formulas to manufacturers (Tooth Decay, February).

For a quick market entry, Starrs should implement a phased sales program using independent manufacturers' representatives, scaling product volume to distribution needs. To find contract manufacturers, he should look in medical trade publications. He should also consider private-labeling his products to increase sales volume.

Pamela G. Goforth
President
Medical Technologies Development
Santa Ynez, Calif.

NEW QUERIES

A Network reader, approaching retirement with no one to take over, must sell a family business. But he's looking for more than a buyer—he wants someone who'll carry on a tradition. Other letters concern bonding independent contractors and meeting like-minded entrepreneurs.

WE ARE FAMILY

For 80 years my family has operated a specialty store. My wife and I are approaching retirement, and there is no one coming along to take over the business. We'd like to find a buyer who will preserve the quality and character of our store. We thought of listing the store in the business-opportunities section of newspapers and magazines, but most ads there are for franchises and get-rich-quick schemes. And we're not interested in employing a broker. How can we find the right buyer, someone who will really care about our business?

Louis Lorenz
Company name and address withheld

SAFE PETS

Our business is minding houses and pets. Until now my husband and I have handled almost all the work, but we'll need extra hands soon. The problem is that our clients will want our employees to be bonded. If we hire them as employees, we can bond them inexpensively. But that means maintaining all the paperwork for workers' compensation, social security, disability insurance, and so on. We'd rather hire people as independent contractors. But then they will have to be bonded individually. That would be too expensive. Can Network readers offer any advice?

Carolyn Moskowitz
Owner
Personal Service Associates
Rochester, N.Y.

WHERE EVERYBODY KNOWS YOUR NAME

I want to join a few entrepreneurial clubs and organizations to meet people in my industry—not just venture capitalists, but people who share my interests. I checked the yellow pages in San Francisco, but all I found were social clubs. Does anyone know of a good Bay Area or national organization of entrepreneurs?

Alex Popov
San Francisco

Please send your words of advice to Michael P. Cronin, The* Inc. *Network, 38 Commercial Wharf, Boston, MA 02110, or call our reader response line,* (800) 444-1756. *Or, fax your letters to* (617) 248-8090. *We'll publish the best responses and queries.

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RESOURCES

DISCOVERING JAPAN

I'm working for a Japanese company that wants to find small U.S. companies interested in exporting food products to Japan. I've worked with foreign exporters, but finding American exporters is more difficult. How should I go about my search?

Mike D. Carroll
Atlanta

If you want to find small companies that wish to export, there are thousands trying to get found. We asked experts for advice for both you and small-company owners trying to export.

"Companies interested in exporting should first determine what kind of demand there is for their products in the country that interests them. One way to do this is by using services like Buyer Alert," says Audrey Talley of the Office of Food Safety and Technical Services of the Foreign Agricultural Service (FAS). "This program allows potential exporters to place a free trade announcement with the FAS Agricultural Export Program, which then disseminates the message to U.S. embassies in foreign countries. The embassies pass it along to agricultural libraries in their host countries."

The FAS's Ag Export Connections service sponsors both Buyer Alert and Trade Leads. Trade Leads collects foreign importers' inquiries from U.S. embassies around the world and places them in The Journal of Commerce *and on an electronic bulletin board for U.S. exporters to use.*

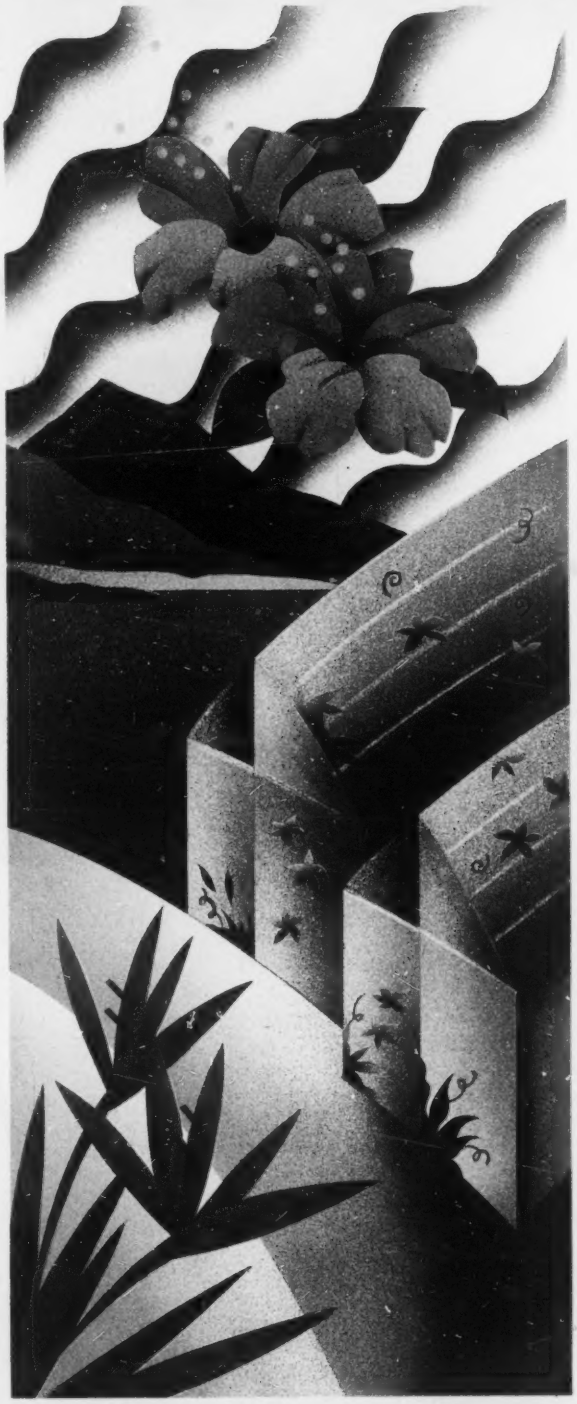
Bill Delphos, an export-financing consultant (see "Unfair Trade," Hotline, April 1991), recommends the FAS's U.S. Supplier List, a database that lists more than 6,800 U.S. food companies interested in exporting. "The database contains comprehensive contact information," he says, "broken down by commodity and country." For more information about Buyer Alert, Trade Leads, or the U.S. Supplier List, contact James H. Johnson, FAS, USDA, Room 4939, South Building, Washington, DC 20250; (202) 447-7103.

The U.S. Department of Agriculture conducts some of its marketing and promotional activities for exporters through four regional associations: the Western United States Agricultural Trade Association (WUSATA; 206-574-2627); the Eastern United States Agricultural and Food Export Council (EUSAFEC; 215-299-3011); the Mid-America International Agri-Trade Council (MIATCO; 708-866-7300); and the Southern United States Trade Association (SUSTA; 504-568-5986). These work with their member states to coordinate regional activities, and with exporters to set up large pavilions representing the region at overseas trade shows.

One good example of how these regional associations can work is Blue Sky Natural Beverage Co. (see "Over There," April 1990). Blue Sky, which now exports 10% of its naturally flavored sodas to Japan, got its first order there after WUSATA took a few cases of its soda to Foodex, a trade show in Japan. "And we continue to get trade leads from WUSATA," says Richard Becker, Blue Sky's president.

The Japan External Trade Organization (JETRO) advises U.S. companies interested in exporting to Japan. JETRO publishes a daily bulletin in Japan that once a week carries inquiries from companies interested in exporting to Japan. It also maintains a database of Japanese importers and U.S. exporters. Contact the Public Affairs Office, JETRO, McGraw-Hill Building, 1221 Ave. of the Americas, 44th floor, New York, NY 10020; (212) 997-0400.

Finally, after you've exploited the services of governments foreign and domestic, Bill Delphos recommends contacting one of the many food-industry trade groups that actively support the international efforts of their member companies. Try the National Food Processors Association, 1401 New York Ave. NW, Suite 400, Washington, DC 20005; (202) 639-5900; and the International Dairy Foods Association, 888 16th Street NW, Washington, DC 20006; (202) 296-4250.



BUSINESS FOR SALE

HAWAIIAN FLOWER FARM

THE BUSINESS A wholesale flower farm with an ocean view, on 4.3 acres on the slopes of Mount Haleakala, Maui. Includes 13 screened, carnation-filled greenhouses (86,000 square feet); a two-bedroom house; an orchard of plum, cherry blossom, apple, and pear trees; and room to grow. Now on the market because of a decline in the operator's health.

FINANCIAL SUMMARY

	1988	1989	1990
Gross sales	$107,418	$50,348	$50,584
Recast pretax profit (loss)	23,000	(10,000)	(12,000)

PRICE $1.2 million

OUTLOOK Flowers are hot, even if this grower isn't. The domestic wholesale cut-flower market topped $815 million last year, and floral-item sales per capita have risen from $24.50 to $51.69 since 1982. Experts say a new owner should consider planting what grows best here (and yields more money per bloom): the exotic and tropical plants naturally suited to Hawaii's unusual climate.

PRICE RATIONALE Though not exactly distressed, this business has certainly been neglected—and the owner is in a hurry to sell. The result: a bargain (he claims), with an asking price that might be lower than liquidation value. Subtract the $450,000 that the buildings and equipment are estimated to be worth, and you're left with land costs of about $175,000 per acre—substantially lower than the $300,000 per acre sometimes fetched by agricultural properties in this choice Maui locale. You're buying assets, not goodwill.

PROS Projected revenues of $180,000, with a 44% net, after expansion. (There's more than enough unused property for greenhouse space to be doubled.) Brisk local demand for fresh flowers from Maui hotels and flower shops. A market waiting to be tapped: Japan, by far the world's leading consumer of flowers.

CONS Because this garden has not been properly tended for the past two years, it will require substantial recultivation (an estimated $100,000 investment) to become profitable again. Floriculture is a delicate business, requiring patience, hard work, and something not everyone is born with: a green thumb. *—Alessandra Bianchi*

Inc. has no stake in the sale of the business featured.

The magazine cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to Business Brokers Hawaii #1 Inc., Kihei, Maui, Hawaii.

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